

STATEMENT OF CONGRESSMAN BARNEY FRANK

MAY 19, 2010

Chairman Levin, Ranking Member Camp, thank you for the opportunity to testify today. H.R. 2267, the Internet Gambling Regulation, Consumer Protection and Enforcement Act, creates a legal framework for licensing and regulating online gambling and is designed to work in tandem with Mr. McDermott's bill, the subject of today's hearing.

In 2006, the Unlawful Internet Gambling Enforcement Act (UIGEA) was enacted, which restricted the use of the payments system for Americans who sought to gamble online. I believe that it is an inappropriate interference on the personal freedom of Americans, and should be undone.

H.R. 2267, is designed to protect consumers without restricting their freedom. I have always believed that it is a mistake to tell adults what to do with their own money. Some adults will spend their money foolishly, but it is not the purpose of the Federal Government to prevent them legally from doing it. We should ensure that they have appropriate consumer protections and information, but otherwise allow people to pursue activities that they enjoy which do not harm others. As John Stuart Mill said in his essay, *On Liberty* in 1869:

“The only freedom which deserves the name is that of pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it. Each is the proper guardian of his own health, whether bodily, or mental or spiritual. Mankind are greater gainers by suffering each other to live as seems good to themselves, than by compelling each to live as seems good to the rest.”

I am encouraged to have the strong support of my lead Republican cosponsor on this legislation, Congressman Ron Paul of Texas.

I have also been very pleased to have strong support for this legislation from the Ranking Republican and former Chairman of the Homeland Security Committee, Peter King, whose concern for public policies that protect us against terrorism is well known to many of us. His support for this bill is very important.

American consumers who wish to gamble online are currently without safeguards against fraud, identity theft, underage and problem gambling and money laundering. Some operators adhere to rigorous regulatory regimes in foreign jurisdictions, but U.S. customers have no local recourse if they have a problem.

And, more to the point for today's hearing, billions of dollars in taxes – both under existing law and those that would be established under Mr. McDermott's bill – remain uncollected. Enacting these bills would bring this industry out of the shadows, benefit consumers and ensure that all of the revenue does not continue to exclusively benefit offshore operators.

SUMMARY OF HR 2267

- H. R. 2267, the Internet Gambling Regulation Consumer Protection & Enforcement Act would establish a federal regulatory and enforcement framework under which Internet gambling operators could obtain licenses authorizing them to accept bets and wagers from individuals in the U.S., on the condition that they maintain effective protections against underage gambling, compulsive gambling, money laundering and fraud, and enforce prohibitions or restrictions on types of gambling prohibited by states, and Indian Tribes.
- This bill would provide the Department of the Treasury with the exclusive authority to establish regulations and license Internet gambling operators. License applicants would be:
- Subject to review of their financial condition and corporate structure, business experience, suitability, and criminal background checks, and agree to be subject to U.S. jurisdiction
- Prohibited from accepting any type of bet or wager that is initiated or terminated in a state or tribal land that prohibits that type of Internet gambling, or any sports gambling or wager.
- This bill would provide Treasury the authority to revoke or terminate the license of any operator who fails to comply with the bill's provisions. Violators could be fined or imprisoned for up to five years, or both.
- Any Internet gambling operator receiving a license would be required to have the appropriate safeguards in place to:
- Ensure an individual placing a bet or wager is of legal age as defined by the law of the State or tribal area in which the individual is located at the time the bet or wager is placed.
- Ensure an individual placing a bet or wager is physically located in a jurisdiction that permits Internet gambling at the time a bet or wager is placed.
- Protect the privacy and security of individuals engaged in internet gambling.
- Combat fraud and money laundering as prescribed by regulations issued by the Secretary of the Treasury or designee.
- Combat compulsive internet gambling.